



Board of Trustees Finance Committee

Tuesday, August 25, 2020
1:45 – 3:15pm
Microsoft Teams Virtual Meeting

Trustees: Michael Griffin, Chair; John Ramil, Vice Chair; Michael Carrere, Les Muma, Charlie Tokarz,
Jordan Zimmerman, Ex Officio

A G E N D A

- I. Call to Order and Comments Chair Michael Griffin
- II. Public Comments Subject to USF Procedure Chair Griffin
- III. New Business – Action Items
 - a. [Approval of May 14, 2020 Meeting Notes](#) Chair Griffin
 - b. [Fixed Capital Outlay Budget](#) Vice President/CFO Nick Trivunovich
 - c. [Expenditure Authorization Requests](#) Vice President/CFO Nick Trivunovich
- IV. New Business – Information Items
 - a. [Annual Finance Policy Reports](#) University Treasurer Fell Stubbs
 - 1. Investment
 - 2. Debt Management
 - 3. Derivatives
 - b. [Debt Refinancing Opportunities](#) University Treasurer Fell Stubbs
- V. Adjournment Chair Griffin



**USF Board of Trustees
Finance Committee
NOTES
Thursday, May 14, 2020
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Jordan Zimmerman at 11:25am. Chair Zimmerman asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Jordan Zimmerman, Mike Carrere, Les Muma, Charlie Tokarz, and Alan Bomstein. A quorum was established. Trustees Stephanie Goforth, Mike Griffin, Oscar Horton, Deanna Michael, and Byron Shinn and President Steven Currall were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 18, 2020 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Zimmerman requested a motion for approval, it was seconded and the February 18th meeting notes were unanimously approved as submitted by all committee members present.

b. 2020-21 Continuation Operating Budget

Nick Setteducato, Associate Vice President for Resource Management & Analysis, presented the 2020-21 Continuation Operating Budget. The USF Board of Trustees (the BOT) is required to adopt an annual budget for the operation of the University. The BOT must approve the budget prior to June 22, 2020 for the State Comptroller to process cash releases for state funds. The universities are still required to submit a detailed operating budget to the BOG by August 21, 2020.

We are requesting approval of a Continuation Operating Budget at the same level as the 2019-20 Operating Budget. We are requesting approval of a continuation budget due to pending state appropriation allocation decisions. Once those decisions have been finalized, USF will prepare an operating budget according to our guidelines and the laws and regulations of the BOG and submit to the BOT for approval at a later meeting.

Chair Zimmerman noted that budgetary impacts/issues due to the current coronavirus situation will be reflected in the FY21 budget.

A motion was made to approve the 2020-21 Continuation Operating Budget at last year's Operating Budget level. A subsequent approval will be needed once the legislative budget process has concluded with the Governor's approval and the USF annual budget has been established. The motion was seconded and approved by all Committee members present.

c. Expenditure Authorization Requests

Mr. Trivunovich presented three expenditure authorization requests for approval by the Finance Committee.

New Expenditure Authorization Requests

- Microsoft Azure - \$2,000,000

Microsoft Azure is used for cloud-based storage for USF data and to build, manage, and display applications. USF relies on cloud services now and will need to in the future. We will purchase credits and use only what is necessary; unused credits will roll into the next fiscal year.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

- Private Security Contract - \$2,545,000

This contract will provide support to the University Police (UP) by providing crosswalk assistance to pedestrians, reducing pedestrian/vehicular conflict during peak academic hours, and providing certain building security staffing. This is a 3-year contract with two additional one-year extensions. This does not commit the University to a specific dollar amount, but rather defines services and sets standards. The \$2.5M amount is an estimate of the five-year period based on historical actual usage. The contract can be cancelled at any time (with 30 days notice); usage is as needed; and standards are clearly defined. Trustee Goforth asked how these services are currently provided. Mr. Trivunovich explained that we have had a security firm the past few years and this is the next iteration of existing services. Trustee Griffin asked if the University approves the individuals the vendor provides to perform the services. Police Chief Chris Daniel explained that the UP will work with the company to screen and approve individuals and if the UP is not satisfied with any employee at any time, the company will make a change immediately.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

Updated Expenditure Authorization Request

- | | <u>New Total</u> | <u>Increase</u> |
|--|-------------------------|------------------------|
| ○ Springer/Nature Journals License Agreement | \$3,197,936 | \$850,104 |

This request is to add one more year to an existing 3-year agreement. There were 260,000 downloads of these journals by students in the last fiscal year. The cost of the additional year is an increase over what we were previously paying, but we are getting more journals (now includes Nature journal – new company). The cost of the contract is negotiated by UF on behalf of the SUS to take advantage of any and all discounts. Trustee Carrere asked how many journals are included. Mr. Trivunovich noted this is a package deal of 5,000 – 6,000 titles. Trustee Carrere then asked if anyone goes through the titles to see if we use them all. USF Libraries Dean Todd Chavez explained that the

Library does review all the journals and there is high usage of the entire collection throughout the year. The cost of these journals is 34% lower this way than to acquire all titles used 50 times or more. President Currall stated that these journals are very important to USF faculty and students. Trustee Michael further stated that these journals are vital to graduate students and are critical to USF's undergraduate research mission.

A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present.

Chair Zimmerman stated that these expenditure requests are considered very carefully. It is very important that we preserve cash balances and maintain liquidity going into next fiscal year.

d. DSO 2020-21 Annual Financial Plans

The DSOs are governed by independent boards of directors who have previously approved these FY2021 Financial Plans. The DSO Financial Plans are presented to the BOT for review and approval, pursuant to Florida Statutes and DSO bylaws.

1. University Medical Services Assoc., Inc., USF Medical Services Support Corp. & USF Health Services Support Organization, Inc.

Rich Sobieray explained that USF Health Services Support Organization, Inc. (UHSSO) is a Florida not for profit corporation of USF as related to MCOM through common control and was established in 1996 with the legislatively-authorized special purpose "...to enter into, for the benefit of the university academic health sciences center, arrangements with other entities as providers in other integrated health care systems or similar entities". (New bylaws for this DSO were just approved at the Governance Committee meeting this morning.) UHSSO has had limited business for many years, but the entity has recently become relevant to facilitate USF Health's participation in certain health network arrangements. No financial plan will be presented today, but UHSSO will be reported in financial statements going forward.

Mr. Sobieray presented the combined Financial Plan for University Medical Services Assoc., Inc. (UMSA) and USF Medical Services Support Corp (MSSC). UMSA/MSSC has been hit hard by the COVID epidemic due to reliance on patient service revenue. Once brick and mortar operations were shut down, to preserve revenue and ensure patient access to our providers, the Practice Plan built, tested, and piloted a secure telehealth platform over the course of a single week. This is not a one-for-one tradeoff of revenue, but rather telehealth generates about \$0.55 on the dollar, while still allowing us to serve the community. While the telehealth revenues will help offset some of our ambulatory revenue losses, the remaining revenue losses will need to be made up through significant expense reductions in the Practice Plan. The focus now is on cash preservation and expense reduction. Will not be operating back at 100% on July 1. Will be ramping back up July 1 – December 30. UPL (upper payment limits/supplemental payments for Medicaid patients) and LIP (low income pool/supplemental payments for charity care) continue to be important (just approved for an increase). The Practice Plan is pursuing all available funding opportunities – increase in match dollars for physical supplemental payments, Cares Act grant support, line of credit from the University (have to pay this back). These cash inflows have been providing stability. Also reducing expenditures and managing payables to help during the pandemic.

The significant and sudden decrease in patient service revenue has had a detrimental effect on the Practice Plan's cash position. As a result, we will be taking on debt in FY2020 that we will need to repay in FY2021. To preserve cash, the Practice Plan is: 1) carefully reviewing and extending payment terms with our vendors; 2) working with AHCA (agency for Health Care Administration) in an effort to accelerate the delivery of our UPL/LIP funds; 3) pursuing CMS (Centers for Medicare and Medicaid Services) Accelerated/Advance Payment Program (received \$6.4M to date); and 4) delaying payments to fund our USF convenience accounts. Once we receive that critical funding, we will begin to repay our debts to the University, CMS, and our vendors. The Practice Plan will be focused on stabilizing operations in FY2021 and recovering lost revenue through expense reductions. We will also work to rebuild our cash position and reduce our debts to our historical levels. We will lose about \$24M in FY2020, but will gain that back in FY2021 due to the revenue and expense strategies we are employing.

Chair Zimmerman invited other DSOs to consider similar austerity measures to right-size operations and to respond to the changes facing the University in FY21; and asked Mr. Sobieray to share these best practices with the other DSOs. Chair Zimmerman remarked that these Financial Plans are just starting points and not where we are going to end, given the fluid COVID situation. Mr. Sobieray noted that in this situation, revenues plummet overnight and expenditures do not react as quickly. Chair Zimmerman asked if the patient business was starting to come back. Mr. Sobieray explained that it is just starting back up, but still slow on elective procedures. As the economy comes back, people can pay out of pocket. Trustee Muma remarked that people are still fearful to come back to the clinics and this will work against the ramp up of the clinics. Trustee Carrere asked if research and education efforts have increased during this time. Mr. Sobieray responded yes, grant submissions have increased. Chair Zimmerman asked if cash management is being tracked monthly so adjustments can be made. Mr. Sobieray stated that cash management is tracked weekly.

A motion was made to approve the FY2021 combined Financial Plan for University Medical Services Assoc. Inc. and USF Medical Services Support Corp. The motion was seconded and approved by all Committee members present.

2. USF Foundation, Inc.

Noreen Segrest and Rob Fischman presented the Financial Plan for USF Foundation, Inc. The current pandemic has affected the Foundation's ability to gather with prospects and donors; hold events; and have in-person visits. Despite this, however, (due to the generosity of our donors), the Foundation will still achieve its fundraising goals. To prepare for the future impacts of this pandemic on the University, the Foundation has maintained its distribution of funds (both operating and endowment) to colleges and units. The Foundation is closely monitoring expenditures, and preparing for the arrival of the new CEO on June 1 (at which time goals will be reassessed for FY2021). The forecast plan for FY2020 projects a 9% loss due to the downturn in the markets from the pandemic. Still hoping for some market recovery prior to June 30. A 7.5% return is built into the FY2021 plan (this is the 10-year average). The Foundation will monitor and adjust strategies as needed.

A motion was made to approve the FY2021 Financial Plan for USF Foundation, Inc. The motion was seconded and approved by all Committee members present.

3. USF Research Foundation, Inc.

Dr. Paul Sanberg and Patricia Gamble presented the Financial Plan for USF Research Foundation, Inc. Research Foundation has been able to successfully continue business during the pandemic. The new building is on schedule and the project is actively managed for cost control. FY2021 looks encouraging. The main business of the Research Foundation is the management of the real property assets that comprise the Research Park (rental revenues are main source of income, at 75%). Current tenants should continue to be productive during this health crisis. Impact of current market conditions has been considered in the projection of intellectual property revenue fees. We are optimistic that these numbers will be exceeded, but for budget purposes, we are using a conservative estimate. The Research Foundation is fairly lean on the expenditure side, and that will continue in FY2021. Anticipate continuing positive operative profit in FY2021. Will redeem some investments in FY2021 to fund costs of the new building. Expect to incur some tenant improvement costs near the end of FY2021 as we prepare for tenant occupancy of the new building in October and November 2021. Anticipate ending FY2021 with positive cash flow of \$1.6M.

Chair Zimmerman asked if any tenants will need assistance during the current economic downturn. Ms. Gamble responded that there have not been any disruptions so far. The Research Foundation also manages the financial transactions for the incubator program (about 40 incubator companies). About 6 or 7 of the incubator companies have asked for deferment of rent and one has asked for a waiver. We might see some cash flow deferments, but still feeling positive about what we've seen to date. Trustee Muma asked if tenants pay for their leasehold improvements. Ms. Gamble responded that they are built into the lease – tenant pays some and we, as building owner, pay some, and this is built into the price of the lease.

A motion was made to approve the FY2021 Financial Plan for USF Research Foundation, Inc. The motion was seconded and approved by all Committee members present.

4. Sun Dome, Inc.

Michael Kelly and Brandon Hall presented the Financial Plan for Sun Dome, Inc. (SDI). Mr. Kelly explained that the event industry and SDI are greatly impacted by the pandemic. Lost many shows/events (cancelled/postponed) over the past months. However, the outlook for next year is good. Vinik Sports Group is the right partner for us – they were trending upward (on track to have their best year since the Arena renovation, exceeding expectations) as the slowdown occurred, and we expect this to continue when we resume/get back to normal. Men's Basketball shows continued improvement; and Women's Basketball has all five starters coming back and a great home schedule (Baylor, Mississippi State). FY2021 plan reflects us getting back to normal; changes will have to be made if this does not occur as anticipated or if there is a longer delay. Taking a hit on revenue side in FY2020 due to the pandemic, but have been able to adjust expenses (reduced event staffing; only paying expenses that are contractually obligated or necessary to maintain the building). Anticipating revenues getting off to slow start in FY2021, but picking up as we get to winter and spring. Do expect a reduction in cash flows in FY2020, but still positive, and forecast a slight increase in FY2021.

A motion was made to approve the FY2021 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

5. USF Institute of Applied Engineering

Dean Robert Bishop and Eric Forsyth presented the Financial Plan for USF Institute of Applied Engineering (USF IAE). USF IAE performs applied research and advanced technology development with contracts predominately through the Department of Defense (DoD). USF IAE directly supports the University's mission of research and education.

While our primary sector has not been directly impacted by COVID-19, we are beginning to face some of the challenges that the other DSOs are facing. COVID-19 is negatively impacting contract revenue in FY21. While multiple contracts and task orders are in the pipeline for award, USF IAE anticipates increased timelines for processing contract actions with the DoD. Additionally, we expect some contract awards to be shifted from Q4 FY2020 to Q1 FY2021 as the DoD refocuses priorities on combatting COVID-19. Finally, execution of existing contracts is slowed due to remote work requirements for interns. COVID-19 is negatively impacting FY2020 Hillsborough County Grant execution due to delays in construction of USF IAE's University Mall facility. Lack of a central research facility inhibits USF IAE's ability to perform required research for its customers. USF IAE is working diligently to mitigate these risks, and we believe we have a solid foundation going into the future. In order to be successful and maximize contract revenue, USF IAE needs people to do research and support research (increase staff in order to do the work); completion of facility in the Mall as well as expansion of facilities; and research equipment.

A motion was made to approve the FY2021 Financial Plan for USF Institute of Applied Engineering. The motion was seconded and approved by all Committee members present.

6. USF Health Professions Conferencing Corporation

Carole Post and Greg Vannette presented the Financial Plan for USF Health Professions Conferencing Corp. (HPCC). Ms. Post explained that like the other DSOs, HPCC's FY2021 Financial Plan reflects a series of adjustments and adaptations as a result COVID-19. At the time of the closure orders, CAMLS was on track to meet its FY2020 Financial Plan. When the shutdown occurred, all private sector and academic programming ceased. Most of the private sector cancellations have been rescheduled for FY2021. CAMLS will have to absorb the losses in FY2020. CAMLS took immediate actions around austerity to control costs and expenses (hiring freezes, reduction of non-essential expenses, cutting utilities), resulting in some substantial savings. Keen focus on cash reserves. Will close FY2020 with 84 days cash on hand versus target of 91 – still tracking relatively well (as most expenses are direct program expenses). Current fiscal condition can sustain essential operations through December. Key challenge is to sustain rolled back operations and still effectively maintain the facility, its equipment, and our staff, so we can efficiently and quickly roll up when demand resurfaces. Already positioning CAMLS to be a safe, sanitized facility that can serve a wide range of purposes and functions as our society makes a slow return.

Mr. Vannette explained that COVID-19 has had a two-fold impact on CAMLS. Not only have events been postponed, but we are working a continuous pipeline for new

clients and to fill the building. Clients books 30 days out and this also has come to a halt. This translates to a \$2M hit to revenue. The cost cutting measures have saved \$400K, so net effect is about a \$1.6M change to the bottom line. FY2021 plan assumes little or no business in Q1 (like Q4 FY2020), with a gradual ramp up to 75% of the business in Q2. Projecting a \$474K loss in FY2021. This changes week to week as we get more visibility and how the virus effects people's willingness to meet in person and to get on a plane and travel. Still looking at ways to diversify the business and minimize the projected losses. Looking to bring revenue back into the building in any way that fits our mission. CAMLS has also been working on several efficiency projects while business has halted, which will add to cost savings.

Chair Zimmerman asked if there are any new revenue streams to offset the huge losses. Mr. Vannette explained Hillsborough County received funding through the CARES Act and CAMLS is training TGH employees on how to wear protective gear – would like to expand to other hospitals throughout the county; and working on how to retrain employees back into the workforce. Trustee Carrere asked the current status of training for robotic surgery (which was the main driver of the initial investment in CAMLS years back). Mr. Vannette explained that several manufacturers are getting into the market and this has diminished the training at CAMLS but the space has been repurposed and continues to evolve, not nearly as focused on robotics. Trustee Carrere asked if there was any opportunity on the non-medical manufacturing side for robotics training. Ms. Post further explained that CAMLS has had to adapt based on changes in external clients. Chair Zimmerman asked if CAMLS should shift where there is greater demand. Ms. Post explained that CAMLS is always ready to shift to the next great need. CAMLS is marketed for what it is, not for what it has been. Chair Zimmerman wants HPCC to come back to the Finance Committee with how they can get to break even by the end of the year.

A motion was made to approve the FY2021 Financial Plan for USF Health Professions Conferencing Corp. The motion was seconded and approved by all Committee members present.

7. USF Alumni Association, Inc.

Bill McCausland and Melissa Schaeffer presented the Financial Plan for USF Alumni Association, Inc. The Alumni Association has been negatively impacted by COVID – events, membership renewals (85% of normal levels through December, hopefully rebounding in spring of 2021). Trying to keep alumni and students engaged during this period. The Association has not increased the size of its staff in the last eight years and will delay hiring two vacant positions and one partially funded position in St. Petersburg. No concerns from a cash flow perspective in FY2021 - cash flow will be sufficient.

A motion was made to approve the FY2021 Financial Plan for USF Alumni Association, Inc. The motion was seconded and approved by all Committee members present.

8. USF Financing Corporation & USF Property Corporation

Fell Stubbs presented the Financial Plan for USF Financing Corp. & USF Property Corp. The Financing Corp. is a conduit financing authority. All of the USF DSOs and Auxiliaries pledging revenues and making debt service payments on outstanding Financing Corporation bonds are experiencing serious negative cash flows. In normal times, the Financing Corp. is a stable, AA rated enterprise, based on the

credit strength of USF financial partners. All Financing Corp. bond programs are current on debt service obligations and bond covenants. Management is working closely with the DSOs and Auxiliaries to mitigate debt service payment and construction risks. The Financing Corp. has fully funded debt service reserves and has additional unrestricted reserves to provide essential liquidity to support debt service payments. The two current bond-financed construction projects (USF St. Petersburg Housing & Dining Center Project and USF Research Park Project) are being monitored closely to mitigate schedule and cost issues. The Research Park Project is on budget and on schedule. The St. Petersburg Dining Center portion of the project is over budget and expected to be delayed due to the termination of the previous Dining Center operator and engagement of replacement Dining Center operator from the Tampa Campus. The housing portion of the project is just slightly over budget and is scheduled to open in August. The rating agencies are well aware of the COVID-19 impact on all universities revenues across the country and are currently requesting detailed information on Florida's universities. Voluntary disclosures on Financing Corp.'s bonds are also being prepared for filing - this is for public bonds (Parking, Housing, and Marshall Center bonds).

The financial plan projects \$2-3M operating profit for this year and the next, reflecting the pass-thru of debt service payments to bond holders. The plan reflects stable revenues and pass-thru expenditures (no employees are paid by the DSO). Cash flow is also stable. Cash and Investments are held at the trustee.

Chair Zimmerman asked about the voluntary disclosures. Mr. Stubbs explained that the Financing Corp. is not required to make voluntary disclosures. It is required to make audited disclosures on our public bonds to bondholders. We are being encouraged to make voluntary disclosures, done in close association with bond counsel.

A motion was made to approve the FY2021 Financial Plan for USF Financing Corp. and USF Property Corp. The motion was seconded and approved by all Committee members present.

Chair Zimmerman stated that these presentations were very informative and insightful. Chair Zimmerman further stated that next year will be challenging for all the DSOs. We need to be strategic and think outside the box. The budgets need to have smart cash flow attached to them and we need to figure out how to get our cash flows to be neutral for the year. Chair Zimmerman thanked Mr. Stubbs for his leadership.

IV. Adjournment

Chair Zimmerman stated that these Finance Committee meetings are great – very efficient and effective.

Chair Zimmerman announced that this is Mr. Bomstein's last meeting as the Finance Committee's Foundation liaison. He thanked Mr. Bomstein for his insightful comments and advice to the Committee. Mr. Bomstein is also retiring from the USF Foundation board after serving 20 years, including several on the Investment Committee. Mr. Bomstein has done an outstanding job for USF and has truly made a difference.

Mr. Bomstein expressed his gratitude for these opportunities and he will always support USF.

Having no further business, Chair Zimmerman adjourned the Finance Committee meeting at 1:30pm.

Agenda Item: IIIb

USF Board of Trustees
September 8, 2020

Issue: Fixed Capital Outlay Budget

Proposed action:

- 1) Approve the 2020-2021 Fixed Capital Outlay Budget
 - 2) Authorize the President, in consultation with the Board of Trustees Chairman, to make necessary non-material adjustments to the 2020-2021 fixed capital outlay budget, with the requirement that material changes be approved by the University Board of Trustees. This authorization does not modify the Board's expenditure policies.
 - 3) Authorize the President, Board Chair and CFO to execute a certification required by the State University System Board of Governors relating to the Fixed Capital Outlay Budget.
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Executive Summary: Pursuant to 1011.012, Florida Statutes, the University Board of Trustees must adopt a fixed capital outlay budget for the fiscal year that designates proposed expenditures for the year from all fund sources.

The fixed capital outlay budget includes state appropriated funds and nonstate appropriated funds. The budget for USF 2020-2021 State Appropriated Fixed Capital Outlay funds is based on the 2020 Appropriation Act and is consistent with approved legislative spending authority.

Financial Impact: The financial impact of the preliminary 2020-2021 Fixed Capital Outlay budget based on new requests is \$39,977,073.

Strategic Goal(s) Item Supports: Goals 1, 2, 3 and 4

Committee Review Date: Finance Committee, August 25, 2020

Supporting Documentation Online (please circle): ☒ Yes ☐ No
2020-21 Fixed Capital Outlay Budget

Prepared by: Nick Trivunovich, Vice President for Business & Finance and CFO

Board of Trustees Finance Committee - New Business - Action Items

FISCAL YEAR 2020-21
ANNUAL CAPITAL OUTLAY BUDGET - University of South Florida
As of 8/6/2020

Campus	Carry Forward Spending Plan Category	PROJECT TITLE	FUNDING SOURCE	TOTAL PROJECT COST	AVAILABLE APPROVED BUDGET	BALANCE	FY 20/21 PROJECTED ADDITIONAL
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	PTB Restroom Renovation	Auxiliary	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Lot 38C Drainage	Auxiliary	\$ 250,000		\$ 250,000	\$ 250,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Lot 38T Improvements	Auxiliary	\$ 284,000		\$ 250,000	\$ 250,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Lot 23T Improvements	Auxiliary	\$ 636,000		\$ 636,000	\$ 636,000
TPA	Other Operating Requirements	Laurel Oaks Tree Replacement 3rd Phase	Carry Forward	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Lift Station 6 Emergency Repair	Carry Forward	\$ 100,000		\$ 100,000	\$ 100,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	LIB - AHU 10 & 11 VAV Box Replacement - Phase I	Carry Forward	\$ 570,500	\$ 570,500	\$ 570,500	\$ 570,500
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Campus Painting and Carpet Replacement	Carry Forward	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Campus Signage and Wayfinding	Carry Forward	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Research Park Renovations	Carry Forward	\$ 179,334	\$ 179,334	\$ 179,334	\$ 179,334
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Various Deferred Maintenance	Carry Forward	\$ 580,600	\$ 580,600	\$ 580,600	\$ 580,600
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Roof Replacement	Carry Forward	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
SAR	Completion of Renovation, Repair, or Maintenance Project up to \$5M	SMC-A101 Café Renovation	Carry Forward	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	BSN 2400 Supply Chain Mgmt.	Carry Forward	\$ 310,000	\$ 310,000	\$ 310,000	\$ 310,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	MDC - Fire Alarm System Replacement	Carry Forward	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	MDT Air Handler Roof Replacement	Carry Forward	\$ 550,000		\$ 550,000	\$ 550,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	TECO Feeder	Carry Forward	\$ 555,000	\$ 555,000	\$ 555,000	\$ 555,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Electrical Infrastructure Improvement NW Redundant Feeder	Carry Forward	\$ 835,000		\$ 835,000	\$ 835,000
STP	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Faculty Laboratories (Relocation/Remodel)	Carry Forward	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	ALN Roof Replacement	Carry Forward	\$ 1,300,000		\$ 1,300,000	\$ 1,300,000
STP	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Various (Reserve) Deferred Maintenance	Carry Forward	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	CMMB Lab Buildout	Carry Forward	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	USF ALZ Byrd Institute 4th Floor Conversion to Wet Lab Space	Carry Forward/Contracts & Grants	\$ 1,504,000		\$ 1,504,000	\$ 1,504,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Southeast Chiller Plant - Chiller and Cooling Tower #4	CITF/Philanthropy/Carry Forward	\$ 4,750,000		\$ 4,750,000	\$ 4,750,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	ENL Dust Collector	Carry Forward	\$ 150,000		\$ 150,000	\$ 150,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	CPT Temporary Annual Rental Boiler	E&G	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	BSN 1406 Renovation	E&G/Carry Forward	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	USF Central Plant – Energy Performance-Based Contract	Energy Savings Contract (ESCO)	\$ 12,000,000	\$ 400,000	\$ 400,000	\$ 400,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	SIGMA NU Annex	Foundation	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	TVB 2nd floor renovation	Foundation/Aux/Carry Forward	\$ 2,480,000		\$ 2,480,000	\$ 2,480,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	WUSF ETV Transmitter Bldg. Refurbishment	PECO (specific allocation)	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	MDA/MDN Roof Drain	PECO Minor 2019 / Carry Forward	\$ 107,639	\$ 107,639	\$ 107,639	\$ 107,639
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Athletics renovation to Offices/Lobby/Lockers/Team Rooms	Philanthropy	\$ 3,000,000		\$ 3,000,000	\$ 3,000,000
TPA	Completion of Renovation, Repair, or Maintenance Project up to \$5M	Electric Bus	SGEF/Auxiliary	\$ 880,000	\$ 880,000	\$ 880,000	\$ 880,000
				\$ 39,977,073	\$ 12,538,073	\$ 28,343,073	\$ 28,343,073

Board of Trustees Finance Committee - New Business - Action Items

As of July 1, 2020
(reference: Section 1013.61, F.S. and Board Reg. 14.003)

Category	Project Title/Name	Description	Total Project(s) Cost	Funding Source(s)		Funds Expended to Date	Funds to be Expended this Year	Remaining Balance	Project Timeline		Comments
				Source	Amount				Start Date	Completion Date	
Education & General (E&G) Operating Projects											
	Consolidated line item of all FCO/capitalized projects funded from E&G operating funds, pursuant to Board regulations 14.003(2)(a) and 9.001. No individual project exceeds \$1M. This is a single line item in both Operating and FCO budgets.		\$1,510,170	E&G Operating Funds	\$1,510,170	\$469,188	\$1,040,982	\$0	Not Applicable	These are current year funds to be spent in the current year.	
Minor Carryforward (CF) Projects											
	Consolidated line item of all FCO projects with a cost of less than \$2M funded from E&G CF funds, pursuant to Board regulation 14.003(2)(b). Includes replacement of facilities less than 10,000 gross sq ft. This is a single line item in both Operating and FCO budgets. For a detailed listing of projects, refer to the E&G Carryforward Spending Plan (CFSP).		\$31,571,821	E&G CF Funds	\$31,571,821	\$9,769,567	\$21,802,255	\$0	Refer to detail in Carryforward Spending Plan		
Major Carryforward (CF) Projects											
	Any FCO project funded in whole or in part from CF funds, where total individual FCO project cost exceeds \$2M, pursuant to Board regulation 14.003(2)(c).										
	SMC CHTL Expand/Renovation		\$2,264,914	CARRY FORWARD Total:	<u>2,264,914</u> \$2,264,914	\$0	\$2,264,914	\$0			
State Appropriated Projects											
	Pursuant to Board Regulation 14.003(12)(d). All FCO projects using funds originally appropriated as FCO funds by the State of Florida, notwithstanding criteria in Board regulation 14.001. Never to be included in the operating budget. Examples, PECO and CITF.										
	MCOMHI		\$186,208,655	CARRY FORWARD STATE NON-APPROPRIATED Total:	\$10,620,875 \$110,293,118 \$65,294,662 \$186,208,655	\$9,991,553 \$106,940,002 \$52,751,011 \$169,682,565	\$629,322 \$3,353,116 \$637,406 \$4,619,845	\$0 \$0 \$11,906,245 \$11,906,245	8/29/12	10/30/20	
	DAVIS HALL		\$5,100,000	CARRY FORWARD STATE Total:	2,000,000 <u>3,100,000</u> \$5,100,000	\$800,073	\$4,299,926	\$0	9/21/2017	12/31/2020	
	Wellness Center Complex		\$27,104,347	CITF	\$27,104,347	\$222,951	\$4,000,000	\$22,881,396	4/29/2019	12/31/2022	
	PECO		\$6,421,491	PECO	\$6,421,491	\$4,211,440	\$2,210,051	\$0			
	CITF		\$5,301,218	CITF Total:	<u>\$5,301,218</u> \$38,827,057	<u>\$592,737</u> \$5,027,128	<u>\$4,708,482</u> \$10,918,533	<u>\$0</u> \$22,881,396			
Non-Appropriated Projects											
	Pursuant to Board Regulation 14.003(12)(e). All FCO projects that have not directly or indirectly used funds appropriated by the State. Examples include private donations, athletic revenues, federal grants, housing/parking revenue bonds, etc. For the purposes herein, please assume a threshold of \$5M or more for listing projects individually, otherwise consolidate all individual projects under \$5M into one line item.										
	One-Line Summary		\$33,725,455	NON-APPROPRIATED	\$33,725,455	\$6,536,372	\$21,933,113	\$5,255,970			
	Laurel Drive New Entry Ph2		\$6,218,655	CARRY FORWARD PECO NON-APPROPRIATED Total:	\$462,369 \$1,098,799 \$4,657,487 \$0 \$6,218,655	\$5,534,530	\$366,231	\$317,894			
TOTALS:			\$305,426,727		\$305,426,727	\$197,819,424	\$67,245,798	\$40,361,505			

Agenda Item: IIIc

USF Board of Trustees
Finance Committee
August 25, 2020

Issue: Expenditure Authorization Requests

Proposed action:

Approval of the following expenditures over \$2,000,000:

a) Microsoft Campus Agreement 3 Year Renewal	\$5,837,292
b) Pharmaceutical Supplies/Cardinal Health	\$2,200,000
c) 2nd Floor TVB Renovation for Muma College of Business	\$2,480,000

Executive Summary: The USF Policy for Delegations of General Authority and Signatory Authority requires the approval of the Finance Committee Chair for the procurement of goods and services above \$1 million and the approval of the Finance Committee for the procurement of goods and services above \$2 million. Approval is being requested for the items listed above.

Financial Impact: Authorization is being requested for \$10,517,292 in contracts/transactions.

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
BOT Committee Review Date:	August 25, 2020
Supporting Documentation Online (please circle):	Yes No
Prepared by:	Nick Trivunovich, Vice President/CFO (813) 974-3297

USF System Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: Microsoft Campus Agreement 3 Year Renewal

Total Project/Initiative Cost: Total estimated 3-year cost is \$5,837,292.22. This is a request for spending authority for the coming three years based on the following estimated cost structures. USF has an existing pricing agreement in place, but has no commitment year over year to continue to purchase the Microsoft platform.

	FY21	FY22	FY23
Fac&staff \$/FTE	\$99.41/unit	\$108.37/unit	\$113.85/unit
Student \$/FTE	\$13.78/unit	\$13.78/unit	\$13.78/unit
Total	\$1,838,0000	\$1,963,000	\$2,038,000
% increase		6.8%	3.8%

These are estimated using current headcounts and FTE counts for faculty, staff, and students. Changes in these numbers from year to year will affect each year's renewal cost.

The Student component of the agreement has 0% cost increase year over year.
Year 21->22 Represents the last 'Step Up' to A5 license cost structure for Faculty/Staff.
Year 22 -> 23 is the standard 5% scaler attached to Faculty and Staff only.

Fluctuations in Student, Faculty, and Staff have caused increases in the yearly cost compared to the prior approval granted in 2018. In addition, this year a site license for GitHub is being added for an additional \$44,000 per year.

Description: (description and rationale for the project/initiative)

This renewal covers the Office 365 products, including Word, Outlook, Excel, Teams, and Teams phones. This also includes Windows and other features including the use of Power Business Intelligence for the University. There is also a server component which allows us to use Windows Server, SQL, Cloud Security Software and Advanced Threat Protection (ATP). A site license for the GitHub software development platform is also being added to the agreement this year.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

Student Success (strategic plan goal 1), Process Efficiencies and Improved Security (strategic plan goal 4) are all objectives of this upgraded agreement with Microsoft.

Funding Source(s):

	FY 2021	FY 2022	FY 2023
E&G	\$1,450,662	\$1,539,241	\$1,734,499
Practice Plan	\$113,431	\$131,139	\$0
Tech Fee	\$273,323	\$291,896	\$303,101
	\$1,837,416	\$1,962,276	\$2,037,600

Are the funds supporting the project budgeted or non-budgeted?

These costs are budgeted in the respective areas. Within the Information Technologies budget, we maintain an annual reserve for license escalations (based on our history of the past few years) which will be used to fund the majority of the increase.

Prior Approval Process:

3-year spending authority was granted by the Board of Trustees Finance Committee on 8-17-2017 and then in Year 2 the Agreement was modified to convert to A5 for enhanced software and security and approved by Brian Lamb as it was over a 10% increase from the prior approval.

List Related Projects/Initiatives: (if any)

N/A

USF System or Institution specific: USF System

Prepared by: Carl Smith

Date Requested: 7/23/2020

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

USF Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: Pharmaceutical Supplies for USF Health Pharmacy Plus (Blanket Purchase Order) with Cardinal Health

Total Project/Initiative Cost: \$2,200,000 for Fiscal Year 2020-2021 (estimated spend plus contingency)

Description:

The USF Health retail pharmacy (USF Health Pharmacy Plus) collaborates with physicians, pharmacists, students, faculty and researchers within the USF community and currently has maintained a blanket purchase order for five years with Cardinal Health services to purchase pharmaceutical medications and supplies for prescriptions for patients.

USF Health Pharmacy Plus is requesting to open a new purchase order in the amount of \$2,200,000. This number is based on the actual amount of processed medications in fiscal year 2018-2019 and projected expenditures for fiscal year 2020. The pharmacy is currently managing prescriptions for patients at Morsani, as well as USF students and employees and for our surrounding areas. The Pharmacy has an estimated total of 50,000 active patients and the number continues to grow. An average of 150 prescription are processed per day. Additionally, the pharmacy is able to ship medication directly to patients.

There has been a steady demand for high cost medications. These medications can range from \$500 to \$30,000 in acquisition cost. In addition, the cost of medication has increased by approximately 40% nationally.

Objective

USF Health Pharmacy Plus is a full-service community pharmacy that provides services that supports USF and USF Health through collaboration with physicians, pharmacists, students, and researchers. The pharmacy dispenses medications and related supplies which contributes to successful research outcomes and the health of patients. It is currently operating with 2 full-time pharmacists, one part-time pharmacist, and a pharmacy technician.

The objectives of USF Health Pharmacy Plus are to provide excellent service to all patients and to be a contributor to student success (Strategic Plan goal #1). USF Health Taneja College of Pharmacy students practice all facets of pharmacy operations, patient safety

and prescription education as part of their advanced pharmacy practice experience (APPE) rotation.

Funding Source(s):

Auxiliary Funds – As an educational business activity, USF Health Pharmacy Plus provides pharmacy services that generate revenue. **This is an allowable source for this expenditure.**

Are the funds supporting the project budgeted or non-budgeted?

Budgeted. The funds are budgeted and dependent upon patient demand and physician's order.

Prior Approval Process:

Fiscal Year 2020 Blanket PO request was \$1.9M.
Fiscal Year 2019 Blanket PO request was \$1.7M
Fiscal Year 2018 Blanket PO request was \$1.2 M
Fiscal Year 2017 Blanket PO request was \$750,000

Pricing is based off the Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP) agreement.

List Related Projects/Initiatives: (if any)

Prepared by: Janice M Vega, Kymia Love Jackson, Dr. Mariam Gendi
Date Requested: August 12, 2020

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

**USF Approval of Expenditures
Exceeding One Million Dollars**

Project/Initiative Name: 2nd Floor TVB Renovation for Muma College of Business

Total Project/Initiative Cost: \$ 2,480,000

Description: (description and rationale for the project/initiative)

Renovate the 2nd Floor of the TVB building for the MUMA College of Business Center for Talent Development to Support Academic programs for the College of Business.

Objective: (strategic priority or needs and the project/initiative addresses; include strategic goal(s) supported)

Alignment with Goal 1: Well-educated and highly skilled global citizens through our continued commitment to student success by doing the following:

- The mission of the Center for Talent Development is to transform the minds and experiences of the next generation Muma College of Business students through internships and experiential learning, and other activities while improving the talent pipeline for businesses in the Tampa Bay community.
 - The Center aspires to be the first in the nation to solely focus on real world experiences for all business students. By building industry partnerships and relationships, the Center expands opportunities available to students that will enrich their skill sets, professionalism, and employability.
-

Funding Source(s):

\$2,480,000 - MUMA COB Foundation

Are the funds supporting the project budgeted or non-budgeted?

Budgeted. Foundation funds are an appropriate source for this project.

Prior Approval Process:

N/A

List Related Projects/Initiatives: (if any)

N/A

Prepared by: Dr. Cyndy Sandberg, Sarah Baynard

Date Requested: 8/5/2020

USF Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

Agenda Item: IVa

USF Board of Trustees
Finance Committee
August 25, 2020

Issue: Annual Finance Policy Reports to the USF Board of Trustees

Proposed action: Informational

Executive Summary:

The USF Board of Trustees adopted three Finance Policies in 2006:

- USF Investment Policy
- USF Debt Management Policy
- USF Derivatives Policy

The USF Finance Policies apply to the University and Direct Support Organizations (DSOs).

An Annual Report to the USF Board of Trustees is required pursuant to each Policy.

Financial Impact:

The USF Board of Trustees Financial Policies govern investment and debt management practices of the University and all Direct Support Organizations (DSOs).

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
Workgroup Review Date:	August 25, 2020
Supporting Documentation Online (<i>please circle</i>):	Yes No
Prepared by:	Fell L. Stubbs, University Treasurer, (813) 974-3298



Annual Finance Policy Reports

*Board of Trustees Finance Committee
August 25, 2020*



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Annual Investment Report



Annual Investment Report

USF PORTFOLIOS – GOVERNANCE AND OVERSIGHT

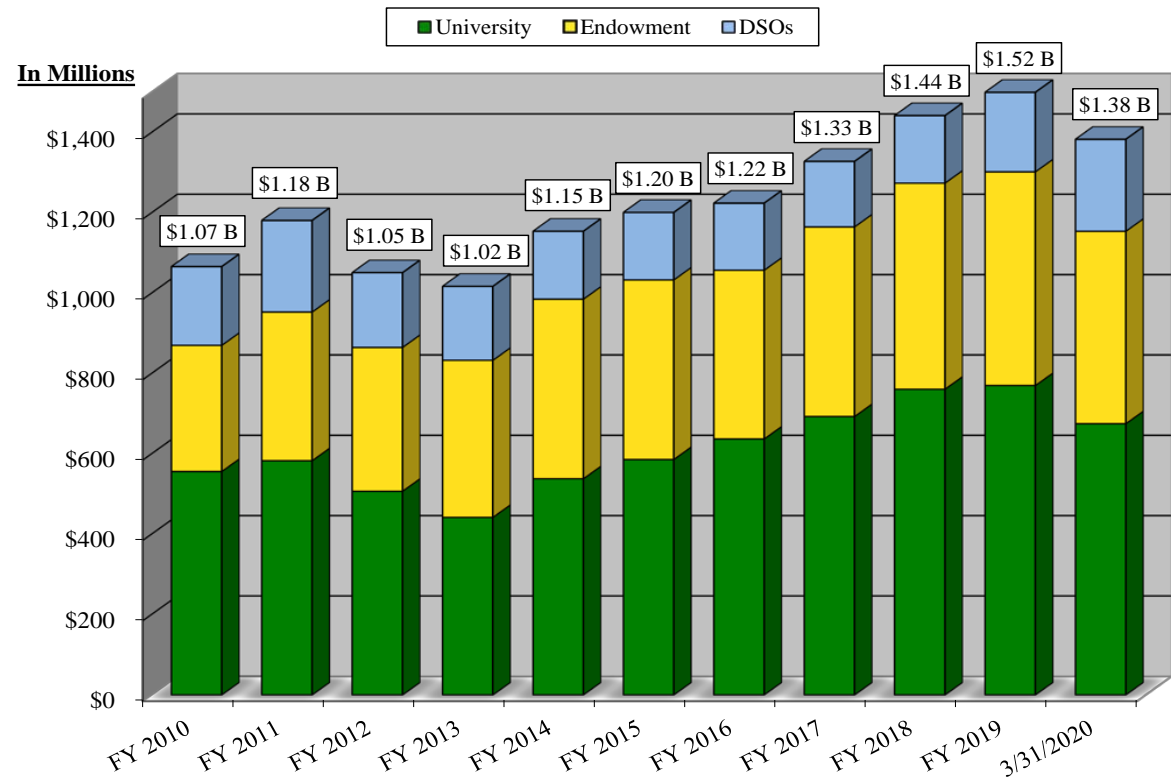
All USF Investment Portfolios Governed by the Board of Trustees Investment Policy

All USF Investment Portfolios Governed by Investment Committees

Central Oversight of All Investment Portfolios

**Combined USF Portfolios –
\$1.4 Billion, Down \$140 M
over 2019**

**All Portfolios in Compliance
with BOT Investment Policy**





Asset Allocations within Policy Limits

Annual Investment Report

USF PORTFOLIOS – Balances as of 3/31/2020

(In Thousands)		Combined ¹	Endowment	Operating Funds							
ASSET CLASS	USF TOTAL INVESTMENTS	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA/MSSC	HPCC	RESEARCH	ALUMNI	APPLIED ENGINEERING	SUNDOME
Cash and Equivalents	\$242,246		\$104,750	\$82,934	\$31,600	\$8,800	\$6,131	\$6,134	\$215	\$755	\$1,130
SHORT TERM INVESTMENTS											
S-T Corporate Bonds	\$379,128		\$323,099		\$51,150	\$700		\$4,179	\$329		
S-T Government Bonds	\$207,601		\$184,851		\$17,050	\$5,700		\$0	\$110		
TOTAL SHORT TERM INVESTMENTS	\$586,729	\$0	\$507,950	\$0	\$68,200	\$6,400	\$0	\$4,179	\$439	\$0	\$0
LONG TERM INVESTMENTS											
L-T Corporate Bonds	\$149,635	\$103,743	\$42,000		\$2,882	\$1,300		\$7,792	\$1,445		
Foreign Fixed Income											
Domestic Equities	\$171,958	\$165,209	\$0		\$4,590	\$4,000		\$11,016	\$2,301		
International Equities	\$142,889	\$120,297	\$20,000		\$3,342	\$1,600		\$7,007	\$1,675		
Real Assets	\$51,066	\$51,066			\$1,419			\$2,564	\$711		
Direct Investments	\$38,422	\$38,422			\$1,067			\$1,917	\$535		
TOTAL LONG TERM INVESTMENTS	\$553,970	\$478,737	\$62,000	\$0	\$13,300	\$6,900	\$0	\$30,296	\$6,667	\$0	\$0
TOTAL CASH and INVESTMENTS as of 3/31/2020	\$1,382,945	\$478,737	\$674,700	\$82,934	\$113,100	\$22,100	\$6,131	\$40,609	\$7,321	\$755	\$1,130

¹ FOUNDATION Operating Funds totaling \$13,300,000 invested in the ENDOWMENT Fund are eliminated in the Combined Investment balances.

RESEARCH FOUNDATION Operating Funds totaling \$23,963,000 invested in the ENDOWMENT Fund are eliminated in the Combined Investment balances.

ALUMNI ASSOCIATION Operating Funds totaling \$7,309,000 invested in the Foundation OPERATING and ENDOWMENT Funds are eliminated in the Combined Investment balances.



Annual Investment Report

UNIVERSITY PORTFOLIO – PROVIDE LIQUIDITY, PRESERVE CAPITAL

University Portfolio Objectives

- Provide essential liquidity to fund operations – \$2 billion in annual expenditures
- Preserve capital – Invested state funds and reserves
- Secondary objective – Achieve positive absolute return in all market conditions

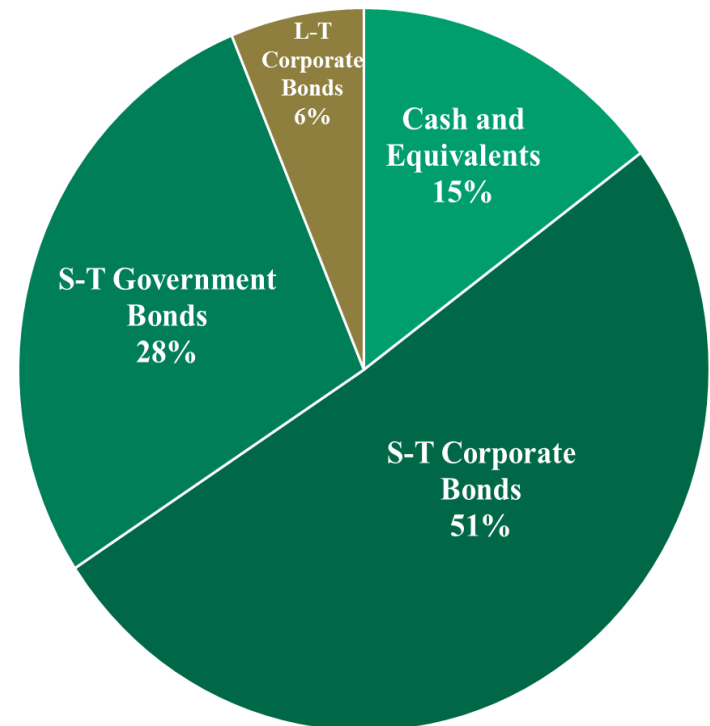
Key Liquidity Measure: USF Days Cash on Hand = 184 Days / AA Peers = 154 Days

Pandemic Effects – Still Early Stages of Impact

- Most significant event for investments and economy in decades
- GDP contracted 32.9% in Q2 – Record drop
- Fed is inflating stock and bond prices and seeding financial instability
- Record unemployment, bailouts, bankruptcies

Swift Committee / Management Action – March 2020

- Preserve assets and limit downside risk
- Exited volatile domestic and foreign equities
- Increased U.S. government and high-grade corp bonds
- Investments held in well-diversified, low cost index funds
- Cash held in U.S. Treasury collateralized accounts



[5]



Annual Investment Report

UNIVERSITY PORTFOLIO – FY 2020 PERFORMANCE VS BENCHMARKS

As of June 30, 2020

Asset Class	Market Value	1-Yr Return	3-Yr Return	Since Inception
Total Assets	\$672.9 M	0.2%	2.6%	2.9%
Total Assets Benchmark		0.7%	2.8%	2.6%
Value Add		(0.5%)	(0.2%)	0.3%

Total Long-Term Pool	\$42.0 M	(8.9%)	1.9%	6.0%
Long-Term Benchmark		(11.8%)	0.8%	4.8%
Value Add		2.9%	1.1%	1.2%
Domestic Equity	\$0 M			
International Equity	\$0 M			
Emerging Markets	\$0 M			

Total Intermediate Pool	\$531.6 M	5.3%	3.7%	3.0%
Intermediate Benchmark		5.4%	3.5%	2.6%
Value Add		(0.1%)	0.2%	0.4%
Fixed Income - Government	\$188.2 M	5.5%	3.5%	2.6%
Fixed Income - Corporate	\$343.4 M	5.2%	3.8%	3.2%

Cash and Equivalents	\$99.3 M	1.2%	1.4%	0.7%
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Annual Investment Report

UNIVERSITY PORTFOLIO – 10 YEAR PERFORMANCE

Conservative Portfolio Structure – From Inception in 2008

- 75% (minimum) invested in U.S government bonds, corporate bonds and cash equivalents
- 25% (maximum) invested in diversified equities
- Short duration, high quality bonds diversify volatile equity risk

Investment Returns have been Stable and Positive in Every Year, Despite Market Downturns

Reduced Exposure over Past 18 Months:

- Closed out REIT and Energy investment positions
- Terminated 1 Alternative and 3 Foreign equity managers

10-Year Risk Adjusted Returns

	<u>Return</u>	<u>Std Dev</u>	<u>Sharpe</u>
▪ USF Portfolio –	4.4%	3.5%	1.06%
▪ S&P 500 Index –	14.0%	13.4%	1.00%
▪ Barclay's Agg –	3.8%	1.4%	1.14%

12-Month Performance	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 (Preliminary)
<u>UNIVERSITY PORTFOLIO</u>										
Annual Investment Income (Loss)	\$21 M	\$10 M	\$14 M	\$27 M	\$6 M	\$10 M	\$25 M	\$18 M	\$41 M	\$0 M
Annualized Return - Equities	19.1%	(4.7%)	13.1%	18.3%	(0.1%)	(2.6%)	14.5%	9.0%	6.7%	(8.9%)
Annualized Return - Fixed Income	2.4%	2.3%	0.8%	1.1%	0.9%	2.4%	0.9%	0.0%	5.8%	5.2%
Total Annualized Return	3.3%	1.6%	2.7%	2.1%	0.7%	1.1%	3.5%	2.4%	5.5%	0.2%



UNIVERSITY PORTFOLIO – NEAR-TERM INITIATIVES

Focused on Priorities: Preserve Capital / Provide University Liquidity

Prepare for Increased Demands on Portfolio over Next 12-24 Months

Monitoring Cash and Portfolio

- Daily portfolio balance and cash transaction reports
- Cash flow projections updated monthly

Annually Stress Test Investment Portfolio

- Optimize risk/return relationships
- Assess ability to withstand market shocks

USF has an “Integrated Treasury Function” (Moody’s term)

- Integrating investments and debt
- Manage risks and portfolio returns / cost
- Secure positive credit ratings



Annual Debt Management Report



Annual Debt Management Report

DEBT PORTFOLIO – GOVERNANCE, COMPLIANCE, RATINGS, COST

Prudent Governance – Board of Trustees and USF Financing Corporation

- Effective BOT Debt Management Policy and management practices
- Effective BOT and DSO boards
- Expert management team

Managing compliance with USF BOT Debt Management Policy, BOG regulations, state statutes, federal SEC / IRS laws, bond covenant requirements, continuing disclosure requirements

Maintain “AA” Moody’s / Standard & Poor’s Credit Ratings

- Requires effective governance over reserves and operations

Effective Use of USF Debt Capacity

- Only essential projects considered for debt
- Preserve dry powder

Manage Long-Term Cost of Capital and Financial/Credit Risks

- Capitalize on market opportunities to achieve low cost, low risk, long-term financing
- USF ratings provide access to capital markets on attractive terms

Recent Examples of Responsive Management:

- Conducted review of all bonds for refunding opportunities in June
- Identified 3 opportunities
- Successfully negotiated reductions in fixed rates



Annual Debt Management Report

MOODY'S / S&P – RECENT PERSPECTIVES ON USF

Moody's States in Credit Report (2/25/20) – Affirmed USF “Aa2/Stable” Rating

- USF's excellent credit profile incorporates its strong market demand and ongoing prospects for modest enrollment growth as a well-run comprehensive urban university.
- The university's strategic positioning is excellent and indicates favorable capacity to adjust to market changes over time.
- Solid fiscal oversight and the ability to manage expenses during periods of revenue pressure support our expectation of continued positive operating performance.
- Effective treasury management includes oversight of direct placement bonds with gradual reduction of demand debt exposure over the last decade.
- Spendable cash and investments to total debt of 3.4x in fiscal 2019 highlights strong coverage of debt from reserves.

S&P States in Credit Report (1/7/20) – Upgraded USF “AA/Stable” Rating

- USF's enterprise profile and financial profile are very strong.
- Steady enrollment, large student body, and stellar demand characteristics bolstered by its comprehensive research university status.
- Experienced management team and comprehensive governing policies, reflected in management's ability to react quickly to the changing economy and operating environment.



Annual Debt Management Report

DEBT PORTFOLIO – FY 2020 TRANSACTION

One Bond Transaction Closed in FY 2020 – \$27 Million

- \$27 M Series 2019 – Issued New USF Research Lab and Office Project Bonds
 - 20 year , taxable, 3.218% fixed rate

As of June 30, 2020

Program	Current Ratings Moody's / S&P	Public / Private	Fixed / Variable	Taxable / Tax Exempt	Interest Rate	Total Outstanding
Housing	A1 / A+	72% Public Bonds 28% Private Bonds / Loans	72% Fixed Rate 28% Variable w/ Swap	Tax Exempt	3.89%	\$198.1 M
Parking	Aa3 / AA	Public Bonds	Fixed Rate	Tax Exempt	2.20%	\$12.3 M
Marshall Center	Aa3 / AA	Public Bonds	Fixed Rate	Tax Exempt	3.43%	\$29.5 M
Health	Not Rated	Private Bonds / Loans	Fixed Rate	Tax Exempt	3.06%	\$64.3 M
Athletics	Not Rated	Private Bonds / Loans	Fixed Rate	55% Tax Exempt 45% Taxable	4.10%	\$35.1 M
Research	Not Rated	Private Bonds / Loans	Fixed Rate	Taxable	3.29%	\$45.8 M
Foundation	Not Rated	Conventional Mortgage	Fixed Rate	Tax Exempt	2.63%	\$4.3 M
TOTAL USF & DSO DEBT		53% Private Bonds / Loans 47% Public Bonds	86% Fixed Rate 14% Variable w/ Swap	84% Tax Exempt 16% Taxable	3.60%	\$389.4 M



DEBT MANAGEMENT – STRUCTURE, TRANSACTIONS, RATINGS

Debt Structure Managed to Reduce Risk, Cost and Capitalize on Market Opportunities

Active Debt Management - \$1.8 Billion in Closed Transactions since 2005 (49 Total)

- Low cost of capital – 3.60%, down from peak of 4.28% in 2014
- NPV savings on refundings – \$30 Million

Rating Agency Recognition of USF Management

- 13 ratings upgrades in 10 years
- S&P upgraded University's rating to "AA/Stable" on January 7, 2020

P3s Operating as Expected

- \$137 M Village Housing P3 (2015) – 2,170 beds, dining, recreation
- Publix Grocery P3 (2016) – only on-campus grocery

**Debt Structured Conservatively
Capitalize on Market Opportunities.**



Annual Debt Management Report

DEBT MANAGEMENT – DELEVERAGING / SOLID LIQUIDITY

(In Millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Moody's Aa2 Medians FY 2019
NEW DEBT	\$52			\$20					\$36	\$27	
TOTAL DEBT	\$454	\$445	\$431	\$435	\$421	\$413	\$377	\$359	\$383	\$389	\$1,115
LONG-TERM RATE	4.01%	4.00%	4.13%	4.28%	3.99%	3.91%	3.64%	3.68%	3.63%	3.60%	

POLICY MEASURES	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Moody's Aa2 Medians FY 2019
<u>OPERATIONS</u>											
Operating Cash Flow Margin (↑)	6.5%	1.1%	3.9%	10.2%	7.4%	7.3%	9.1%	7.0%	5.4%		12.0%
Operating Margin (↑)	0.3%	-6.9%	-4.7%	2.4%	0.1%	0.0%	2.0%	-0.2%	-2.3%		3.6%
<u>LIQUIDITY</u>											
Cash & Investments / Operating Exp (↑)	0.77x	0.62x	0.58x	0.65x	0.64x	0.64x	0.68x	0.67x	0.71x		0.76x
Monthly Days Cash on Hand (↑)	204 days	173 days	167 days	202 days	197 days	200 days	213 days	216 days	210 days	184 days	154 days
<u>LEVERAGE</u>											
Cash & Investments / Debt (↑)	1.7x	1.5x	1.4x	1.6x	1.8x	1.9x	2.3x	2.5x	2.6x		1.4x
Debt Service Coverage (↑)	3.3x	-0.1x	1.1x	4.0x	2.7x	4.1x	4.8x	4.0x	2.9x		2.9x
Debt Service / Operating Exp (↓)	2.0%	2.0%	2.2%	2.2%	2.2%	1.5%	1.7%	1.4%	1.8%		4.3%



Annual Debt Management Report

DEBT MANAGEMENT – CONSTRUCTION PROJECTS / REFUNDINGS

Current Construction Projects

- USF St. Petersburg Housing Project - \$32 M, Design/Build, GMP Construction Contract
 - Delivery August 2020 / on schedule, on budget
- USF St. Petersburg Dining Center Buildout Project - \$4 M Construction Contract
 - Change in dining services operator in June
 - Delivery January 2021 / over budget by \$1.2 M
- USF Research Park Project - \$27 M, Design/Build, GMP Construction Contract
 - Delivery November 2021 / on schedule, on budget

Assessed All 19 Outstanding Bonds for Refunding Opportunities

- Identified 3 direct placement bonds: \$30 M total outstanding – average 3.5% fixed rate
- Negotiated new 2.25% rate over remaining 10 years to maturity
- Below market pricing – given current COVID impact on pledged revenues
- No new covenants, waived 1% refunding premium
- Savings exceed \$100 K annually – over \$1 M savings total for each – 6% NPV, exceeds BOG 5% Guideline for refundings



Annual Debt Management Report

DEBT MANAGEMENT – DISCLOSURES TO MOODY’S / S&P

Filed Disclosures to Moody’s / S&P / Bondholders in May/June 2020

- Filed voluntary disclosures with rating agencies and on EMMA (SEC database)
- Filed for Housing, Parking and Marshall Student Center public bonds
- Disclosed student refunds, CARES Act funding, affected revenues, DSCR, reserves

Anticipate Filing Additional Disclosures - After Class Drop/Add (August 28)

- Fall 2020 enrollment, state support
- Housing, Parking and Marshall Student Center bonds

Rating Agency Perspectives on Higher Education – Post Pandemic

- All rating agencies have a Negative Outlook on Higher Education
- Increased downgrades since March
- CARES Act funds will not offset losses
- Most rated institutions have enough balance sheet strength to preserve ratings over near term
- Expect most states will cut appropriations
- Management’s ability to plan is critical: enrollment scenarios, expense reductions, liquidity



Annual Debt Management Report

Rated Bond System Updates – FY 2020

USF Housing System

- \$198 M debt outstanding
- Rated “A1” (Moody’s) / “A+” (Standard & Poor’s)
- \$46 M total reserves (debt service, renewal & replacement, operating)
- Annual debt service payments = \$15.6 M (FY 2021)
- Entered FY2021 in a strong position
- Experiencing decline in occupancy (due to contract cancellations)
- Expect occupancy stabilization following Drop/Add on August 28
- Managing expenses downward
- No need to tap debt service reserves

Housing System *	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020 (est)</u>
Revenues	\$44,495,427	\$46,792,061	\$45,165,802	\$45,517,607**
Expenses	<u>\$24,680,615</u>	<u>\$27,014,570</u>	<u>\$24,615,242</u>	<u>\$22,951,317</u>
Net Revenues	\$19,814,812	\$19,777,491	\$20,550,560	\$22,566,290
Debt Service	\$13,712,695	\$13,793,953	\$13,738,224	\$13,705,650
Debt Service Coverage (net)	1.44x	1.43x	1.50x	1.65x

* Gross Housing System Revenues are pledged; net debt service coverage is shown for informational purposes

** Contingent on accounting for \$6.5 M of student housing refunds



Annual Debt Management Report

Rated Bond System Updates – FY 2020 (Cont)

USF Parking System

- \$12 M debt outstanding
- Rated “Aa3” (Moody’s) / “AA” (Standard & Poor’s) / “AA-” (Fitch)
- \$29 M reserves (debt service, renewal & replacement, operating)
- Annual debt service payments = \$2.9 M (FY 2021)
- Entered FY2021 in a strong position
- Experiencing decline in decal/ permit revenue
- Managing expenses downward

Parking System	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020 (est)</u>
Revenues	\$13,997,214	\$14,701,120	\$15,111,494	\$12,550,438
Expenses	<u>\$7,880,349</u>	<u>\$8,525,803</u>	<u>\$8,327,075</u>	<u>\$7,475,935</u>
Net Revenues	\$6,096,865	\$6,175,317	\$6,784,419	\$5,074,503
Debt Service	\$3,057,465	\$2,936,320	\$2,936,430	\$2,940,330
Debt Service Coverage (net)	1.99x	2.10x	2.31x	1.73x



Annual Debt Management Report

Rated Bond System Updates – FY 2020 (Cont)

USF Marshall Student Center

- \$29 M debt outstanding
- Rated “Aa3” (Moody’s) / “AA” (Standard & Poor’s)
- \$12 M reserves (debt service, renewal & replacement, operating)
- Annual debt service payments = \$2.4 M (FY 2021)
- Entered FY2021 in a strong position
- Experiencing decline in pledged revenue
- Managing expenses downward

Marshall Center	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020 (est)</u>
Revenues	\$8,219,797	\$8,468,829	\$8,408,071	\$7,677,977
Expenses	<u>\$4,857,480</u>	<u>\$4,848,866</u>	<u>\$4,716,249</u>	<u>\$4,862,336</u>
Net Revenues	\$3,362,317	\$3,619,963	\$3,691,822	\$2,815,641
Debt Service	\$2,400,395	\$2,370,445	\$2,355,845	\$2,399,645
Debt Service Coverage (net)	1.40x	1.53x	1.57x	1.17x



Annual Derivatives Report



Annual Derivatives Report

DERIVATIVES PORTFOLIO – WINDING DOWN SWAPS

Prudent Governance – Board of Trustees and Financing Corporation

- Effective BOT Derivatives Policy and Management Practices

Manage Long-Term Cost of Capital and Risk

- Hedged Variable Rate Bonds – Provided a Lower Cost of Capital – Requires Active Management
- Matched Maturities of Bonds to Coincide with maturing Swaps
- \$223 M reduction in swaps over 12 years (80%)
- Winding Down Swap Portfolio – No New Swaps Since 2007
 - 1 Swap Currently Outstanding – \$55 M
 - Will terminate swap and convert bonds to fixed rate when termination value is positive

As of June 30, 2020

Program	Swap Counterparty	Expiration Date	USF Optional Termination Rights	Collateral Posted	Fixed Swap Rate	Total Outstanding
Housing	Royal Bank of Canada	7/1/2037	Yes	\$8.96 M	3.94%	\$55 M
TOTAL USF DSO SWAPS				\$8.96 M	3.94%	\$55 M

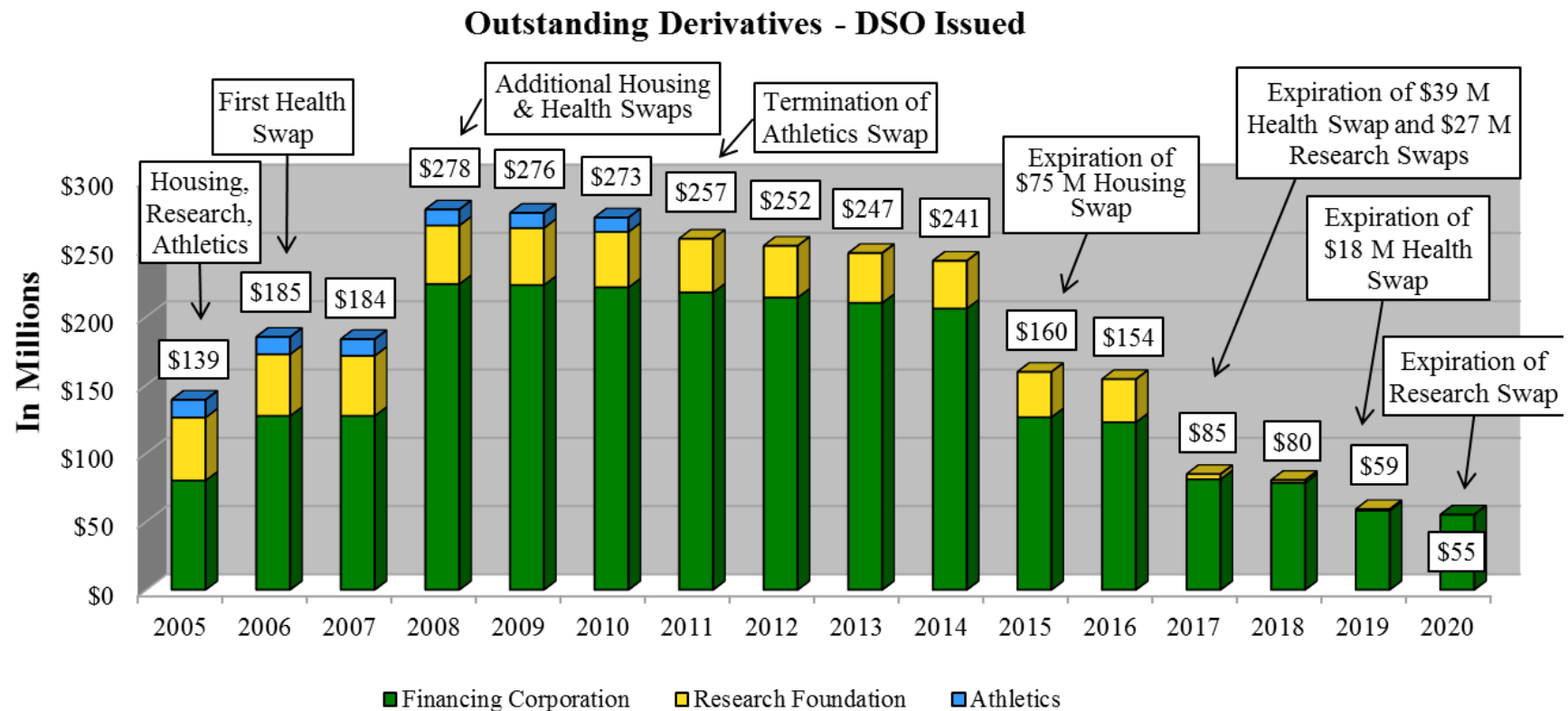


Annual Derivatives Report

DERIVATIVES PORTFOLIO – 15-Year Managed Trend

USF Derivatives – \$55 Million (6/30/20)

**Plan to Exit
Remaining Swap**



Agenda Item: IVb

USF Board of Trustees
Finance Committee
August 25, 2020

Issue: Debt Refinancing Opportunities

Proposed action: Informational

Executive Summary:

University management assessed all 19 outstanding bond issues for refunding opportunities to take advantage of current low, long-term market interest rates.

Management, together with the University's financial advisor, Public Financial Management, identified 3 direct-placement bonds not constrained by call protection, make whole provisions or other restrictions on refunding.

Management successfully negotiated a reduction in interest rates from 3.5% to 2.25% with the bank holding the 3 bonds totaling \$30 M.

Amendments to loan agreements and new notes will need to be approved by the bank and the USF Financing Corporation.

Financial Impact:

Interest savings total \$2.1 million over the bonds' remaining 10 years. The 6% NPV savings on refunded bonds exceeds the Florida Board of Governors' 5% guideline for refundings.

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
Workgroup Review Date:	August 25, 2020
Supporting Documentation Online (<i>please circle</i>):	Yes No
Prepared by:	Fell L. Stubbs, University Treasurer, (813) 974-3298

University of South Florida

Outstanding Debt

As of 6/2/2020

Issuer	Series / Note	Public / Direct Placement	Outstanding Balance (par only; excludes unamortized premiums/discounts)	Interest Rate	Fixed or Variable	Currently Feasible for Refinancing	Has this series recently been refinanced? (provide date)	Comments	PFM comments
Division of Bond Finance	Parking Facility Revenue Refunding Bonds, Series 2016A	Public	\$14,922,000	2.300%	Fixed	No	Yes, 1/12/2017	Callable 7/1/2026	none
USF Financing Corporation	Certificates of Participation, Series 2010A (Housing)	Public	\$410,000	4.421%	Fixed	No	No	Not eligible; small balance; final maturity: 7/1/2020	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2012A (Housing)	Public	\$75,685,000	3.652%	Fixed	No	Yes, 5/6/2015	Callable on 7/1/2025	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2012B (Housing)	Direct Placement	\$55,625,000	4.669%	Variable (Synthetically Fixed with Swap)	No	Yes, 10/1/2012	Callable on 10/1/2024 without penalty. Current swap termination payment \$8.9M	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2015A (Housing)	Public	\$12,115,000	1.996%	Fixed	No	Yes, 5/6/2015	Not callable; final maturity: 7/1/2023	none
USF Financing Corporation	Certificates of Participation, Series 2018 (Housing)	Public	\$30,140,000	3.993%	Fixed	No	No, New Issue 1/16/19	Callable on 1/1/2029	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2019 (Housing)	Public	\$15,435,000	3.682%	Fixed	No	Yes, 1/16/2019	Callable on 1/1/2029	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2013A (Health)	Direct Placement	\$33,240,000	2.710%	Fixed	No	Converted Variable to Fixed Rate, 7/1/2016	Callable on 7/1/2026	none
USF Financing Corporation	Refunding Certificates of Participation, Series 2013B (Health)	Direct Placement	\$17,240,000	3.390%	Fixed	No	Converted Variable to Fixed, 7/2/2018	Callable on 7/1/2028	none
USF Financing Corporation	Bank Loan, Series 2018 (Health - CAMLS)	Direct Placement	\$13,857,941	3.510%	Fixed	Yes	Yes, 3/9/2018	Callable on 1/1/2029 without premium	I show 1% premium for 5 years, 0.5% premium next 5 years and par thereafter
USF Financing Corporation	Certificates of Participation, Series 2003A (Athletics)	Direct Placement	\$2,985,000	3.816%	Fixed	No	Converted Variable to Fixed Rate, 3/15/2011	Small balance; final maturity: 10/1/2022	none
USF Financing Corporation	Bank Loan, Series 2018A (Athletics)	Direct Placement	\$6,843,759	3.460%	Fixed	Yes	Yes, 3/9/2018	Callable on 1/1/2029	I show 1% premium for 5 years, 0.5% premium next 5 years and par thereafter
USF Financing Corporation	Bank Loan, Series 2018B (Athletics)	Direct Placement	\$9,354,110	3.510%	Fixed	Yes	Yes, 3/9/2018	Callable on 1/1/2029	I show 1% premium for 5 years, 0.5% premium next 5 years and par thereafter
USF Financing Corporation	Taxable Bank Loan, Series 2013 (Athletics - Arena)	Direct Placement	\$15,870,000	4.780%	Fixed	No	No	Make whole payment to bank required upon prepayment. Make whole payment (breakage) would offset any savings opportunity	Subject to breakage for prepayment
USF Financing Corporation	Refunding Revenue Bonds, Series 2015 (Student Center)	Public	\$27,670,000	3.430%	Fixed	No	Yes, 5/6/2015	Callable on 7/1/2025	none
USF Financing Corporation	Taxable Promissory Note, Series 2019 (Mortgage)	Mortgage Loan	\$3,489,955	4.330%	Fixed	No	No	Callable on 11/1/2024	none
USF Financing Corporation	Taxable Promissory Note, Series 2019 (Research)	Direct Placement	\$27,000,000	3.218%	Fixed	No	No	Callable on or 12/16/2025	none
USF Research Foundation	Taxable Bank Loan, Series 2013B (Research)	Direct Placement	\$15,410,000	3.180%	Fixed	No	Yes, 4/1/2013	Callable on any prepayment date	none
USF Foundation	Conventional Nonrecourse Mortgage (Land Purchase - USFSP)	Nonrecourse Mortgage	\$4,429,116	2.625%	Fixed	No	No	Nonrecourse mortgage with USF Foundation	none
TOTAL OUTSTANDING DEBT			\$381,721,881	3.594%					